Clerk
Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Attn: Mr Anthony Chu)

Dear Mr Chu,

Legislative Council
Public Accounts Committee

Consideration of Chapter 2 of the Director of Audit’s Report No. 67
Funding of universities by the University Grants Committee

I refer to your letter of 13 December 2016 to the Secretary for Education. The requested information is now set out at Annex for reference by the Public Accounts Committee.

Yours sincerely,

(Sarah Ko)
for Secretary for Education

cc
Secretary-General, University Grants Committee
Secretary for Financial Services and the Treasury (Attn: Mr Raistlin Lau)
Director of Audit

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Legislative Council  
Public Accounts Committee (PAC)  

Supplementary information provided by the Secretary for Education in response to the letter from the Clerk to the PAC dated 13 December 2016

1. Tuition fees payable by non-local students of UGC-funded undergraduate programmes and the corresponding cost recovery rates, and the factors taken into account when setting the levels of tuition fees

In 2003, the Government accepted the University Grants Committee (UGC)’s recommendation that, as a general rule, UGC-funded institutions should charge non-local students of UGC-funded undergraduate programmes at a level which is at least sufficient to recover all additional direct costs, and that the tuition fees should in no circumstances be lower than the fees applicable to local students (i.e. $42,100 per annum). Institutions were supportive of the initiative, and agreed that the tuition fees for non-local students should be at least $60,000 per annum. While the tuition fee for local students has been maintained at $42,100 per annum since 1997/98, institutions have been increasing the tuition fees payable by non-local students over the years. In 2016/17, the tuition fees payable by non-local students of UGC-funded undergraduate programmes range from $110,000 to $146,000 per annum.

On the conditions that all non-local students of UGC-funded undergraduate programmes are admitted through over-enrolment and the tuition fees payable by them are at least sufficient to recover all additional direct costs, institutions enjoy the autonomy in setting the tuition fee levels as they see fit, having regard to their own circumstances. Neither the Government nor UGC prescribe a target cost recovery rate.

2. Tuition fees payable by non-local students of UGC-funded postgraduate programmes

At present, there are two types of UGC-funded postgraduate programmes, namely taught postgraduate (TPg) programmes and research postgraduate (RPg) programmes.

Similar to non-local students of UGC-funded undergraduate programmes, non-local students of UGC-funded TPg programmes have to be admitted
through over-enrolment and they are required to pay tuition fees at a level which is at least sufficient to recover all additional direct costs, and that the tuition fees should in no circumstances be lower than the fees applicable to local students (i.e. $42,100 per annum). In the 2016/17 academic year, the tuition fees payable by non-local students of UGC-funded TPg programmes range from $110,000 to $146,000 per annum.

As regards RPg students, it should be reckoned that, as a matter of fact, they play an important role in the higher education sector. Not only do they participate directly in a large number of research activities, but they also take part in the teaching activities of institutions (such as acting as teaching assistants, laboratory administrators, etc.) as well as serve as a bridge between the undergraduates and the teaching staff, thereby contributing to the teaching and learning as well as knowledge transfer in institutions.

Given the above, and with a view to boosting the research capability in Hong Kong through attracting high quality talents from around the world, UGC-funded universities currently admit RPg students on a merit basis and charge them a uniform tuition fee of $42,100 per student per year, taking into account the students’ academic results and research capability, regardless of their place of origin. This practice helps ensure that the best candidates irrespective of place of origin are engaged to boost the level of research and contribute to the teaching and learning as well as knowledge transfer work in institutions, thereby safeguarding the effectiveness of public spending.

It is noteworthy that admission of outstanding research talents, regardless of their countries of residence, to RPg programmes on a merit basis by the UGC-funded universities is in line with the common practice of the international academic community.

In the 2015/16 academic year, the number of local applications for UGC-funded RPg programmes was 1,868, which was submitted by 934 local applicants (estimated number). 535 of these local applicants were eventually admitted, which accounted for 57.3% of the estimated number of local applicants or 28.6% of the number of local applications. As regards

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1 That said, paragraph 3.11 of the UGC Notes on Procedure provide that, subject to prior notification to the UGC and in case institutions choose to over-enrol RPg students beyond the 40% cap, the additional full direct costs incurred (defined as all direct marginal costs incurred arising from the over-enrolment, including studentships, and additional costs for student supervision, cost of space provided etc) should be met from non-UGC/RGC funds, including higher tuition fees payable by the over-enrolled students.

2 UGC-funded universities estimate that, on average, each local applicant would submit two applications for admission to UGC-funded RPg programmes.
the estimated remaining 42.7% of local applicants, they included those who eventually declined admission offers from UGC-funded universities in order to pursue other opportunities, as well as those who were not given offers having regard to their academic credentials. In contrast, the number of applications for UGC-funded RPg programmes by non-local students was 16 900 in the 2015/16 academic year. The number of non-local intakes in the same year was 1 853, accounting for 11% of the non-local applications³.

3. Statistics on non-local graduates of UGC-funded undergraduate programmes who have remained to work/stay in Hong Kong after graduating

At present, the Immigration Department administers the “Immigration Arrangements for Non-local Graduates (IANG)”, which allows non-local students who have obtained an undergraduate or higher qualification in a full-time and locally-accredited local programme in Hong Kong, including UGC-funded undergraduate programmes, to apply to stay/return and work in Hong Kong. Both non-local fresh graduates (i.e. non-local graduates who submit applications to the ImmD within six months after graduation) and returning non-local graduates (i.e. non-local graduates who submit applications to the ImmD beyond six months after graduation) are eligible under the scheme.

In 2015/16 (as at June 2016), 2 685 applicants with undergraduate qualifications were approved. The breakdown statistics on successful applicants who are non-local graduates of UGC-funded undergraduate programmes are not available.

4. Measures taken by the Education Bureau in addressing cases of under-enrolment by UGC-funded universities

As a matter of principle and in an effort to protect institutional autonomy, the Education Bureau (EDB) does not monitor the day-to-day operation of the UGC-funded universities. Instead, EDB relies on UGC to act as an intermediary with the eight UGC-funded universities. UGC plays the dual role of safeguarding academic freedom and institutional autonomy, while ensuring value for money for taxpayers. To this end, it stipulates

³ The number of applications submitted by non-local applicants considerably varies, and hence UGC-funded universities are unable to estimate the number of non-local applicants on the basis of the number of non-local applications received.
appropriate rules and conditions of grants, including rules on enrolment, for compliance by the UGC-funded universities, through its Notes on Procedure (NoP), its Allocation Letters to the universities, as well as any other suitable instruments.

While responsibility to ensure universities’ compliance with enrolment rules rests with UGC, EDB has from time to time requested UGC Secretariat to provide relevant information about enrolment, and has provided advice / taken follow-up actions as appropriate in response to such information. Examples of such matters are set out as follows:

Enrolment of local and non-local students
As stated in paragraph 2.32 of Chapter 2 of the Director of Audit’s Report No. 67, EDB had taken note that, prior to 2016/17, the universities might enroll non-local students to their UGC-funded sub-degree, undergraduate and taught postgraduate programmes up to 4% within and 16% outside the approved UGC-funded student numbers by study level. In other words, UGC-funded places were primarily, but not solely, used to admit local students. For example, in 2015/16, 14 848 local students were admitted to UGC-funded first-year first-degree places, against an approved student number target of 15 000. To address the community’s concerns that non-local students were taking up precious public resources at the expense of local students, EDB sought the Chief Executive-in-Council’s approval in December 2014 to revise the policy of enrolment of local and non-local students, such that starting from 2016/17, all new non-local students should only be admitted through over-enrolment capped at 20% of the approved UGC-funded student numbers. To effect the policy change, EDB also wrote to UGC, requesting it to make corresponding changes to the enrolment rules for compliance by the UGC-funded universities.

Application of under-enrolment rule to teacher education programmes
As elaborated in paragraphs 2.29 and 2.30 of Chapter 2 of the Director of Audit’s Report No. 67, EDB had taken note that there were significant deviations between the actual enrolment figures and the approved student number targets in a few individual streams of teacher education programmes. In response, EDB wrote to UGC in December 2014, suggesting that the various streams of teacher education programme should be treated as distinct manpower-planned programmes for the purpose of applying UGC’s enrolment rules, and therefore the relevant student number target of each stream needs to be met.
5. Measures taken by the Education Bureau in addressing the shortfall in student hostel places

The Government recognises that hostel experience is an integral part of higher education, and is committed to supporting the development of publicly-funded student hostels in accordance with well-established policies and calculation criteria. Over the years, the Government has endeavoured to meet the requirements in accordance with these policies and criteria. At present, around 29,200 publicly-funded hostel places are available to the UGC-funded universities, of which some 6,470 were completed in the past five years, while another 676 places are currently under construction. As at 2015/16, there was a shortfall of around 8,660 publicly-funded student hostel places. To cope with the surging requirements, the UGC and its funded universities have been working closely with the Government in the planning work for new hostel projects. Eight hostel projects are currently at various stages of planning by UGC-funded universities, which are expected to deliver around 8,450 publicly-funded hostel places.

It should be reckoned that, as a matter of policy, all public works projects are subject to the availability of funds, which is one of the major factors for consideration. Competition for capital works funding has always been keen. Capital works projects of the UGC-funded universities, as with other capital works projects, would need to compete with other priorities, including housing and land initiatives, hospital projects, roads and railways, as well as other community facilities.

Looking ahead, EDB will continue to work closely with UGC and its funded universities on funding proposals in the Government’s capital works resource allocation exercise.